American Stores Company

American Stores Company is a holding company and conducts all of its operating activities through its wholly owned subsidiaries, Acme Markets, Inc., Alpha Beta Company, Buttrey Food Stores, Jewel Food Stores, Osco Drug, Inc., Sav-on Drugs, Inc., Skaggs Alpha Beta, Inc. and Star Market Company. American is principally engaged in a single industry segment, the retail sale of food and drug merchandise, a highly competitive industry. The Company is one of the nation's leading retailers, operating combination drug/food stores, super drug centers, drug stores and food stores. The merchandise sold by the subsidiaries includes most food items and non-food items such as prescription drugs, tobacco products, housewares, health and beauty aids and sundry merchandise for home and family use. The Company operates 1493 retail units in 40 states. As of February 1, 1986 the Company had approximately 121,000 employees.

Financial Highlights

American Stores Company and Subsidiaries

Fiscal years, 52 weeks ended February 1, 1986, 53 weeks ended February 2, 1985 and 52 weeks ended January 28, 1984

(In thousands, except per share data)	1985	*1984*	*1983*
Sales	**$13,889,528**	$12,118,793	$7,983,677
Net Earnings:			
Comparable	**$154,470**	$134,529	$117,902
Gain from sale of subsidiary and divisions-net of tax		50,996	
Net earnings	**$154,470**	$185,525	$117,902
Earnings Per Common Share			
Comparable	**$4.11**	$4.01	$3 61
Gain from sale of subsidiary and divisions		1.70	
Earnings per common share	**$4.11**	$5 71	$3 61
Dividends Declared Per Share.			
Common Stock	**$.69**	$.64	$.44
Preferred Stock.			
Series A $4 375	**$4.375**	$1.093	
Series B $6.80	**$6.80**	$1 70	
$5 51 Cumulative Redeemable		$4.13	$5.51
Common Shareholders' Equity	**$767,811**	$676,752	$451,694
Book Value Per Common Share Outstanding	**$24.44**	$21.39	$15.26
Return on Common Shareholders' Average Equity	**17.9%**	30.4%	26.4%
Average Shares Outstanding	**31,464**	30,076	29,556

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Annual Meeting

The Annual Meeting of Stockholders will be held on Tuesday, June 10, 1986 at 9 00 a m.
Stein Eriksen Lodge, 7400 Lake Flat Road, Park City, Utah

American Stores Company and Subsidiaries

Dear Shareholder:

While the past year was both difficult and challenging, the Company progressed in several important areas. The consolidation and integration of Jewel Companies, Inc. into American Stores Company moved forward satisfactorily and will continue in the current year. In large measure our progress can be attributed to the support and loyalty of all our employees. Particularly important was the cooperation the Company received from the former Jewel employees.

Difficulties encountered during the year included: the Salmonella outbreak which occurred at Jewel's Hillfarm Dairy in Illinois; the longest supermarket strike in Southern California history which affected Alpha Beta Company; a sluggish and competitive retail climate in the Midwest as well as in the energy producing states in which we operate; and higher than usual retirements and management changes associated with the post-acquisition of Jewel Companies, Inc.

Despite these unforeseen events, the Company made gains toward its objectives in a year of continuing consolidation. The Company recorded improved sales and earnings and made progress in the development of the nation's first coast-to-coast drug store chain. The balance sheet was significantly strengthened, as $160 million in long term debt and capitalized leases were retired. In addition, a number of important management changes were undertaken, highlighted by the election of a new President and Chief Operating Officer of American Stores Company.

Operating Results

Since the Company has undergone major changes, operating results for the past two years are not comparable. Differences include the 1984 acquisition of Jewel Companies, Inc. on a purchase basis, the subsequent disposition of certain operations and a 53-week year in 1984. Additionally, 1985 earnings per common share reflect the first full year's impact of the common and preferred stock issued in conjunction with the acquisition. Preferred dividends were $25,140,000 in 1985 as compared to $13,752,000 in 1984.

For the 52 weeks ended February 1, 1986, American Stores Company reported earnings of $154,470,000, equal to $4.11 per common share, representing increases of 14.8 percent, or 2.5 percent on a per share basis, over comparable earnings of $134,529,000, or $4.01 per common share, in 1984. The 1984 net earnings and earnings per common share do not include non-recurring gains from the disposition of retail subsidiaries and

divisions (33 Alpha Beta stores in Arizona; 11 Sav-on Drug stores in Houston, Texas; the 134 drug store Rea and Derick subsidiary; Jewel's 36.1 percent investment in Aurrera, Mexico's largest retailer; 22 Alpha Beta stores in the San Joaquin Valley of California and the warehouse leasehold position and inventory of Alpha Beta's Milpitas, California facility) amounting to $50,996,000, or $1.70 per common share, on an after-tax basis.

Sales for the 1985 fiscal year totaled $13.9 billion, as compared to $12.1 billion last year. Like store sales showed a 1.0 percent increase for the year.

LIFO

In the past three years, the Company has greatly expanded its use of the LIFO (last-in, first-out) method of inventory valuation. In 1983, American Stores Company utilized LIFO primarily for dry grocery merchandise which represented 30 percent of total inventories. In 1984, LIFO was expanded to 61 percent of total inventories reflecting the consolidation of Jewel Companies, Inc., a company with 90 percent of its inventories on LIFO, into American Stores Company. In 1985, the Company began to extend LIFO coverage to general merchandise categories, and by year's end LIFO covered 80 percent of inventories. The pre-tax LIFO charge for 1985 amounted to $15,962,000, up from $7,150,000 in 1984 and $2,081,000 in 1983. The after-tax impact in 1985 was a $.12 per common share higher charge against earnings than 1984 and $.21 per common share higher charge against earnings than 1983. The Company will complete the conversion of general merchandise to the LIFO method of inventory valuation by year-end 1986, extending LIFO to 90 percent of the Company's inventory.

Despite this higher LIFO charge, the Company improved gross profits as a percentage of sales to 24.07 percent in 1985 from 23.80 percent in 1984. Gross profit was 24.20 percent in 1983.

Operating expenses, as a percent of sales, were essentially stabilized in 1985, showing only a modest increase from 20.92 percent of sales in 1984 to 21.03 percent of sales in 1985, or an increase of 11 basis points over the prior year. Operating expenses in 1983 were 21.26 percent of sales.

Financial Matters

In the first full year subsequent to the acquisition of Jewel Companies, Inc., the Company undertook several actions to reduce and restructure the amount of debt incurred in conjunction with the acquisition. The Company retired $150 million of acquisition related debt during 1985, as well as $10 million in other debt. An additional $75 million of acquisition debt

and $64 million of Jewel debt assumed by the Company were refinanced. These refinancings eliminated restrictive covenants in addition to providing more favorable terms.

Working capital increased 13.7 percent to $240.4 million, from the year earlier level. During the year the Company arranged for bank credit lines totaling $110 million. Subsequent to year's end, the Company established a new $300 million revolving three-year credit agreement led by Morgan Guaranty Trust Company of New York, which was used for refinancing the remaining acquisition debt on more favorable terms and to support commercial paper borrowings. The Company intends to restructure or reduce debt of the combined companies as favorable opportunities arise.

Salmonella

In late March and early April of 1985, a severe outbreak of Salmonella typhimurim illness occurred relating to the contamination of milk produced in Jewel's Hillfarm Dairy and sold at Jewel supermarkets in the five-state area surrounding Chicago. During this crisis period, Jewel cooperated fully with the Food and Drug Administration, the Center for Disease Control and the Illinois Department of Public Health which were on the scene and responsible for investigating the cause of the Salmonella outbreak.

Despite the best efforts of the scientific community and an intensive investigation, the cause of the outbreak of the Salmonella typhimurim remains unknown. At year end, the Hillfarm Dairy remains closed, and there are no plans to reopen this facility. As a result of this event, Jewel has received a large number of claims and is involved in extensive litigation. The Company takes the position that anyone who was injured as a result of this outbreak should be fairly compensated, and it continues to devote a great deal of time and effort to achieving an equitable settlement of all legitimate claims.

Jewel Food Stores has named Skadden, Arps, Slate, Meagher & Flom as lead counsel in the continuing Salmonella litigation. A full description of this litigation and the Company's current evaluation of its legal exposure is included in the litigation footnote to the financial statements found on page 30 of this Annual Report.

As previously reported, identifiable direct costs incurred in the Salmonella outbreak at Jewel, as well as the costs of closing Jewel's Hillfarm Dairy, resulted in a $3.5 million charge to earnings, or $.11 cents per common share, as reported to shareholders in the Company's 1985 First Quarter Report. In addition, this situation has resulted in very substantial indirect costs that cannot be quantified or measured, including the ongoing time, energy and effort of our management and employees, as well as Jewel's loss of

market share at the time and immediately following the incident and the resulting reduction of its sales and earnings. During this period, Jewel employees rose fully to the occasion and did an excellent job, working tirelessly to restore the confidence and loyalty of their customers. It appears that Jewel has succeeded in regaining the share of consumer market it enjoyed prior to the Salmonella incident.

Southern California Strike

On November 5, 1985, the longest, most violent and possibly the most costly supermarket strike in Southern California history began. The Company's subsidiary, Alpha Beta Company, was one of nine major supermarket chains affected by the nine and a half week strike. Affected by the strike were 191 Alpha Beta food stores located in Southern California.

Represented by the California Food Employers' Council, the food chains became involved in a strike/lockout action after negotiations failed to reach an agreement with the Teamsters and the United Food and Commercial Workers-Meat Cutters Union. This lengthy strike resulted in decreased sales and earnings as well as additional costs associated with operating the support facilities and stores. The strike was marred by numerous violent acts, including the use of firearms against non-striking employees, trucks and equipment belonging to the supermarket chains, destruction of equipment through vandalism, bomb and food poisoning threats which forced the closing of stores and the removal of products from the shelves. The strike ended the first week in January 1986. It is difficult to determine the actual loss of sales and earnings to Alpha Beta during the period; however, it is estimated the strike impacted earnings by approximately $.12 per common share

Southern California remains one of the most competitive food retailing markets in the nation. The continued competitive retail environment in Southern California, coupled with the impact of the strike, has contributed to further soft sales in Alpha Beta's Southern California market.

Management

The Jewel acquisition clearly strengthened our base of management talent. Unfortunately, however, we were unable to retain many of the talented Jewel management whom we wanted. We also witnessed the retirement of a number of talented executives from important positions in the American Stores Company structure during the year.

Strong, talented and experienced management will be the cornerstone of American Stores' future. A careful program has been adopted to provide for the orderly succession of senior

management. In line with those objectives, Thomas W. King was elected President and Chief Operating Officer of American Stores Company, effective February 2, 1986. Tom King, 55, has over 38 years of retail experience, having begun his career with Alpha Beta Company as a box boy. He brings extensive retailing experience with the Company to his new duties, including warehousing, manufacturing, transportation and operations. He most recently served as President of Acme Markets, Inc., the Company's largest volume and most profitable subsidiary in 1985.

In addition to the election of a new American Stores Company President, the past year saw a broadly based restructuring of senior operating management. Concurrent with Tom King's election as President of American Stores Company, Dennis K. Eck was selected to replace Mr. King as President of Acme Markets, Inc. Dennis Eck, 42, has an extensive background in both food and drug retailing, having begun his retail career with Buttrey Food Stores in Montana in 1969. His varied retail background includes a variety of store level and operational positions. He later served as Vice President of Marketing and Divisional Manager for Jewel Food Stores. Prior to being named President of Acme, he was Executive Vice President of Superstores for Sav-on Drugs, Inc. and was instrumental in the development of Sav-on combination stores.

The Company was faced with the difficult task of replacing a number of its key executives who retired during the year. In early 1985, Sav-on President, Samuel J. Parker, resigned. Richard E. George, President of Osco Drug, Inc., was appointed as President of both Sav-on Drugs and Osco Drug.

Other key American Stores Company executives who announced they were retiring in 1985 included Joseph R. Bowman, President of Skaggs Companies, Inc., who retired after 27 years of outstanding service with the Company. As Skaggs Drug stores were integrated into Osco Drug, Inc., Richard E. George, President of Osco, assumed Bowman's responsibilities. American Stores Buying Company President, Fritz W. Keil, retired from the Company after 29 years. Ronald J. Floto also resigned as President of Buttrey Food Stores. Lawrence S. Rogers, a 29 year veteran of Alpha Beta Company and Acme Markets, Inc., who had been named President of Skaggs Alpha Beta, Inc. and President of Buttrey Food Stores, also resigned.

Larry A. Hodges, 36, was appointed President of both Skaggs Alpha Beta and Buttrey Food Stores. He has 20 years of retail experience with the Company, having begun as a clerk's helper in

1965 with Alpha Beta Company. His background includes both food and general merchandising, as well as Senior Vice President of Marketing. Prior to his appointment as President of Skaggs Alpha Beta/Buttrey Food Stores, Mr. Hodges served as Senior Vice President in the Office of the President at American Stores Company.

In his first official duty as President of American Stores Company, Thomas W. King announced the selection of Donald H. Kohler as President of Alpha Beta Company to replace Richard P. Gladden, who announced his retirement after 38 years of distinguished service with Alpha Beta Company. Don Kohler, 56, has 40 years of retail experience, most recently serving as Executive Vice President of Acme Markets, Inc. Don Kohler, who began his retail career with Acme in 1945 as a part-time clerk, has served as store manager, produce buyer, merchandiser, general superintendent, grocery buyer, Divisional Vice President and later Vice President of Operations at Acme's corporate office.

The restructuring has put into place the dedicated and experienced management team necessary to enable the Company to realize its long term objectives.

Expansion

We intend to increase capital expenditures to the $280 million level in 1986 from $203 million last year, reflecting the acceleration of our new store development program. In 1985, we opened 23 new stores consisting of five Jewel-Osco combination stores, nine Osco Drug Centers and nine Skaggs Alpha Beta combination stores. The Company closed 17 older stores, resulting in a net gain of six stores for 1985. Further, the Company opened a 412,000 square foot general merchandise warehouse during the year to handle distribution to our midwestern stores.

The Company plans to open 38 new stores this year, including 20 new drug centers, 14 combination food and drug stores and four expanded food stores. At mid-year, the Company will open a new general merchandise warehouse to serve the intermountain region.

Coast-to-Coast Drug Store Chain

The creation of the nation's first coast-to-coast drug store chain offers the Company many potential advantages, including savings in advertising and purchasing as well as economies in distribution and consolidated management. All of the Skaggs Drug stores have been renamed as Osco, and the majority of the management and record systems have been consolidated at Osco corporate offices in Oak Brook, Illinois. Thus, the integration of Skaggs Companies, Inc. into Osco Drug, Inc. is substantially completed.

The final phase of consolidating the three drug store chains into one coast-to-coast drug store chain is the melding of Sav-on into Osco. Sav-on Drug stores turned in an outstanding performance last year. Progress was also achieved in the consolidation of Sav-on into Osco during 1985. The remainder of the integration of Sav-on's buying, accounting and advertising into Osco is expected to be completed by June 1986.

At year-end, Osco was operating 483 Osco Drug stores in 29 states, plus 171 Sav-on Drug stores in California, for a total of 654 stores in 30 states from Maine to California.

Outlook

The outlook for 1986 is cautionary. This statement reflects the ongoing soft and uncertain retailing environment, especially in the midwest, southern and intermountain states which are significantly dependent upon energy and agribusiness. The sharp reduction in oil prices and the cutbacks witnessed in all areas of energy production, as well as the weakness in the agricultural segment of the economy, have slowed the economies of those states. Company operations which have exposure in these areas can expect to experience continued economic pressure, particularly if these trends continue or intensify during 1986. In addition, along with other retailers, the Company has seen pressure on sales growth as a result of the continued low inflation rate, which will continue to influence year-to-year sales comparisons.

In the year ahead, the Company will press forward with the continued work of consolidation and integration. The Company plans to strengthen its market position in those areas which hold the greatest opportunity either through the acquisition of new stores or through its own expanded construction program. We will also continue to analyze the possible divestiture of assets which are not part of the Company's long term strategy.

L.S. Skaggs
Chairman of the Board

Board of Directors and Officers

American Stores Company Board of Directors

Louis H. Callister[1*]
Partner, Law Firm of Callister, Duncan & Nebeker, P.C.

Silas S. Cathcart[2,4]
Chairman of the Board, Illinois Tool Works, Inc.

Richard G. Dunlop[1]
Vice Chairman of the Board and Treasurer

James B. Fisher[2]
Former President, J.G. Boswell Company

Richard E. George
President, Osco Drug, Inc. and Sav-on Drugs, Inc.

Williford Gragg[2,3,4]
Retired, Former Chairman of the Board, United States Fidelity & Guaranty Company

Leon G. Harmon[1,2,3,4]
President and Chief Executive Officer, First Interstate Bank of Utah, N.A.

James H. Henson
President, Jewel Food Stores

Thomas W. King
President and Chief Operating Officer, American Stores Company

L. Tom Perry[1,2,4]
Member of the Council of the Twelve, The Church of Jesus Christ of Latter-day Saints

Barbara S. Preiskel[2]
Attorney, New York, New York

Aline W. Skaggs[2,3,4]
Director

L. S. Skaggs[1,3a,4a]
Chairman of the Board

Earl P. Staten[1,2,4]
Retired, Counsel to Law Firm of Callister, Duncan & Nebeker, P.C.

Thomas H. Sunday[1]
Executive Vice President, General Counsel and Secretary

I.J. Wagner[2,3*]
President, The Keystone Company

1 Executive Committee
*Designated Alternate
2 Audit Committee
3 Nominating Committee
a Ex-officio
4 Compensation and Stock Option Committee
a Ex-officio

American Stores Company Principal Officers

L. S. Skaggs
Chairman of the Board

Thomas W. King
President and Chief Operating Officer

Richard G. Dunlop
Vice Chairman of the Board and Treasurer

Thomas H. Sunday
Executive Vice President, General Counsel and Secretary

Scott Bergeson
Executive Vice President and Assistant Secretary

Victor L. Lund
Senior Vice President Financial Accounting

Michael T. Miller
Senior Vice President and Assistant Secretary

Frederick P. McBrier
Senior Vice President and Assistant Secretary

Post Office Box 27447, Salt Lake City, Utah 84127-0447 / Telephone (801) 539-0112

Principal Operating Subsidiaries

Officers of the Principal Operating Subsidiaries and Divisions

Acme Markets, Inc.
124 North 15th Street
Philadelphia, Pennsylvania 19101
Telephone (215) 568-3000
DENNIS K. ECK
President

Alpha Beta Company
777 South Harbor Blvd
La Habra, California 90631
Telephone (714) 738-2000
DONALD H. KOHLER
President

American Stores Management Systems Company
5201 Amelia Earhart Drive
Salt Lake City, Utah 84116
Telephone (801) 537-3000
DENNY W. STEELE
President

American Stores Properties, Inc.
444 East 100 South
Salt Lake City, Utah 84111
Telephone (801) 530-1300
ALAN D. STEWART
Chairman

Buttrey Food Stores
601 Sixth Street, S.W.
Great Falls, Montana 59404
Telephone (406) 761-3401
LARRY A. HODGES
President

Jewel Food Stores
1955 West North Avenue
Melrose Park, Illinois 60160
Telephone (312) 531-6000
JAMES H. HENSON
President

Osco Drug, Inc.
1818 Swift Avenue
Oak Brook, Illinois 60521
Telephone (312) 887-5000
RICHARD E. GEORGE
President

Sav-on Drugs, Inc.
1500 South Anaheim Blvd
Anaheim, California 92805
Telephone (714) 778-2300
RICHARD E. GEORGE
President

Skaggs Alpha Beta, Inc.
5201 Amelia Earhart Drive
Salt Lake City, Utah 84116
Telephone (801) 537-3000
LARRY A. HODGES
President

Skaggs Telecommunications Service
5181 Amelia Earhart Drive
Salt Lake City, Utah 84116
Telephone (801) 537-1427
DON L. SKAGGS
President

Star Market Company
625 Mt. Auburn Street
Cambridge, Massachusetts 02138
Telephone (617) 661-2200
W. BRUCE KRUEGER
President

Common Stock Market Prices and Dividends

The market price range on the New York Stock Exchange and the dividends declared on the Company's common stock are set forth in the table below. The common and preferred shares of the Company are listed on the New York, Philadelphia, Midwest and Paci Stock Exchanges under AmStr, and the trading symbol is ASC. The number of shareholders of record of the Company's common stock at April 4, 1986 was 14,779.

Fiscal Years Ended	**February 1, 1986**			*February 2, 1985*			*January 28, 1984*		
	Sales Price		*Cash Dividend*	*Sales Price*		*Cash Dividend*	*Sales Price*		*Cash Dividend*
	High	*Low*	*Declared*	*High*	*Low*	*Declared*	*High*	*Low*	*Declared*
First Quarter	**56½**	**49**	**$.16**	34⅞	27¼	$.16	27⅞	20⅞	$.08
Second Quarter	**67½**	**49⅛**	**.16**	33¾	26½	.16	35⅛	25	.12
Third Quarter	**63⅝**	**54¾**	**.16**	40⅞	33⅝	.16	44	32¼	.12
Fourth Quarter	**68¼**	**59¼**	**.21**	50½	35⅛	.16	43⅝	31½	.12
			$.69			$.64			$.44

American Stores Company

Post Office Box 27447
709 East South Temple
Salt Lake City, Utah 84127-0447

Registrar and Transfer Agent

Morgan Guaranty Trust Company of New York
Trust Department
30 West Broadway
New York, New York 10015
Telephone (212) 587-6515

Shareholder Relations

Shareholder inquiries should be directed to:

Corporate Secretary
Post Office Box 27447
Salt Lake City, Utah 84127-0447
Telephone (801) 539-0112

SEC 10-K Report

In compliance with the requirements of the Securities and Exchange Commission, the Company has incorporated all essential material of its Form 10-K SEC filing requirements within this annual report. The intended result is to provide shareholders with a fully integrated annual disclosure in a single document

Additional copies of this annual report and Form 10-K, with exhibits, may be obtained without charge from the:

Treasurer's Office / PO Box 27447 / Salt Lake City, Utah 84127-0447

Report of independent Auditors

Ernst & Whinney

515 South Flower Street
Los Angeles, California 90071
213-621-1666

Shareholders and Board of Directors
American Stores Company
Salt Lake City, Utah

We have examined the consolidated balance sheets of American Stores Company and subsidiaries as of February 1, 1986, February 2, 1985 and January 28, 1984, and the related consolidated statements of earnings, common shareholders' equity and changes in financial position for each of the three fiscal years in the period ended February 1, 1986 Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances

In our opinion, the financial statements referred to above on pages 17 through 39 present fairly the consolidated financial position of American Stores Company and subsidiaries at February 1, 1986, February 2, 1985 and January 28, 1984, and the consolidated results of their operations and changes in their financial position for each of the three fiscal years in the period ended February 1, 1986, in conformity with generally accepted accounting principles applied on a consistent basis

Los Angeles, California
March 6, 1986

Ernst & W

Selected Financial Data

American Stores Company and Subsidiaries

The following consolidated selected financial data of American Stores Company and subsidiaries for the five years ended February 1, 1986 should be read in conjunction with the consolidated financial statements and related notes of the Company appearing elsewhere herein:

(In thousands, except per share data)	**February 1, 1986**	*February 2,[1,2] 1985*	*January 28, 1984*	*January 29, 1983*	*January 30, 1982*
Sales	**$13,889,528**	$12,118,793	$7,983,677	$7,507,772	$7,096,590
Comparable earnings	**$154,470**	$134,529	$117,902	$90,371	$64,552
Gain on sale of subsidiary and divisions-net of tax		50,996			
Net earnings	**154,470**	185,525	117,902	90,371	64,552
Less preferred dividends declared					
Series A $4.375	**(17,335)**	(4,306)			
Series B $6.80	**(7,805)**	(1,942)			
$5.51 Cumulative Redeemable		(7,504)	(11,220)	(11,220)	(11,220)
Net earnings applicable to common stock	**$129,330**	$171,773	$106,682	$79,151	$53,332
Average common shares outstanding[3]	**31,464**	30,076	29,556	29,415	29,541
Net earnings per common share: Comparable[3]	**$4.11**	$4.01	$3.61	$2.69	$1.81
Gain on sale of subsidiary and divisions		1.70			
Net earnings per common share[3]	**$4.11**	$5.71	$3.61	$2.69	$1.81
Cash dividends declared per common share[3,4]	**$.69**	$.64	$.44	$.33	$.27
Total assets at year-end	**$3,462,513**	$3,535,737	$1,626,695	$1,444,367	$1,356,328
Long-term obligations	**$1,082,140**	$1,199,829	$366,856	$352,033	$380,470
Redeemable preferred stock	**$255,678**	$254,044	$118,110	$118,110	$118,110

[1]Reflects the acquisition of Jewel Companies, Inc., during 1984

[2]53 Weeks

[3]Restated to reflect 3-for-1 common stock split effective July 8, 1983

[4]For restriction on common dividends, see "Debt" in notes to consolidated financial statements

Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Comparisons of the results of operations for 1985 with the results of operations for 1984 and 1983 are difficult. Certain events have occurred that affect the comparability among the years presented in the financial statements of the Company. The more significant events are as follows:

The Company acquired approximately 71% of the outstanding stock of Jewel Companies, Inc. on June 29, 1984 and subsequently completed the acquisition of the remaining approximate 29% of Jewel's outstanding stock during November 1984. The Company sold 33 Alpha Beta grocery stores located in Arizona in October 1984, and in December 1984 the Company sold its Rea and Derick, Inc. subsidiary, comprised of 134 drug stores. In January 1985 the Company sold 22 Alpha Beta grocery stores and support facilities located in Northern California. These dispositions resulted in a 1984 after-tax non-recurring gain of $50,996,000, or $1.70 per common share of stock.

As a result of the previously discussed events and the 53 week fiscal year in 1984, care should be exercised in an attempt to compare the financial statements presented herein. The earnings for the 52 weeks ended February 1, 1986 amounted to $154,470,000, or $4.11 per common share of stock. Comparable 1984 net earnings were $134,529,000, or $4.01 per common share of stock. Reported net earnings for the 53 weeks ended February 2, 1985 amounted to $185,525,000, or $5.71 per common share of stock, and include after-tax non-recurring gains from the disposition of subsidiary and divisions of $1.70 per common share of stock. Net earnings for the 52 weeks ended January 28, 1984 amounted to $117,902,000, or $3.61 per common share.

Sales for 1985 amounted to $13,889,528,000 compared to $12,118,793,000 for 1984 and $7,983,677,000 for 1983. Sales for 1984 include sales for Jewel Companies, Inc. from June 29, 1984, and sales for 1985 include Jewel Companies, Inc. for the entire fiscal year but do not include sales after the date of disposition of certain subsidiaries and divisions disposed of during 1984 and 1985. For comparability, sales from like stores, or stores that have been in operation for two full years, increased approximately one percent in 1985, six percent in 1984 and eight percent in 1983. The Company operated 1493 stores in 40 states at February 1, 1986, 1487 stores in 40 states at February 2, 1985 and 1020 stores in 28 states at January 28, 1984. Retail square footage at year-end amounted to 30,072,000 in 1985, 31,681,000 in 1984 and 18,579,000 in 1983.

Gross profits as a percent of sales were 24.07% in 1985, 23.80% in 1984 and 24.20% in 1983. The gross profits were reduced in 1985 by the Company's expansion of inventories accounted for under the LIFO method to include certain general

Results of Operations *(cont.)*

merchandise categories. At year-end 1985, 80% of the Company's inventories were valued under the LIFO (last-in, first-out) method, compared to 61% in 1984 and 30% in 1983.

The pre-tax LIFO charge amounted to $15,962,000 in 1985, $7,150,000 in 1984 and $2,081,000 in 1983. The LIFO charge decreased earnings per common share by $.25 in 1985, $.13 in 1984 and $.04 in 1983.

Operating expenses for 1985, as a percent of sales, were 21.03%, an increase of 11 basis points above the 20.92% of sales reported in 1984 and favorably reflects the Company's ability to stabilize operating expenses as a percent of sales while increasing gross profit margins. Operating expenses, as a percent of sales, were 21.26% in 1983.

The decrease, as a percent of sales, in both gross profit and operating expenses in 1984 versus 1983 was primarily a result of the Jewel acquisition.

Net other expenses increased to $113,077,000 in 1985 and included interest expense of $128,770,000, interest income of $7,857,000 and other miscellaneous income of $7,836,000. Net other expenses for 1984 of $1,975,000 includes interest expense of $111,738,000, interest income of $16,954,000, other miscellaneous income of $12,847,000 and pre-tax non-recurring gains from the sales of subsidiary and divisions of $79,962,000. Net other expenses for 1983 amounted to $18,387,000, including interest expense of $35,615,000.

Pre-tax earnings were $309,461,000 in 1985. Comparable pre-tax earnings for 1984 were $266,651,000, ($346,613,000 including the previously discussed non-recurring gains). Pre-tax earnings were $216,129,000 in 1983. The effective income tax rates were 50.1% in 1985, 44.6% in 1984 and 45.5% in 1983. The effective income tax rates for 1985 and 1984 were impacted by the non-deductibility of certain purchase accounting adjustments resulting from the acquisition of Jewel Companies, Inc. The 1984 income tax rate was also affected by the non-recurring capital gains, which are taxed at lower rates.

Liquidity and Working Capital

Working capital increased to $240,441,000 at February 1, 1986 compared to $211,394,000 at February 2, 1985, an increase of $29,047,000. Working capital at January 28, 1984 amounted to $285,739,000. The decrease in working capital of $74,345,000 in 1984 resulted primarily from cash balances used in the repayment of debt. Current ratios were 1.19:1, 1.17:1 and 1.46:1 at February 1, 1986, February 2, 1985 and January 28, 1984, respectively.

As a supplement to working capital, the Company has arranged for bank lines of credit in the amount of $110,000,000. Subsequent to year end, the Company entered into agreements

Liquidity and Working Capital *(cont.)*

with a group of commercial banks which provided the Company with a three year revolving credit facility amounting to $300,000,000. The facility will be used to support short-term borrowings and to refinance the remaining acquisition debt. At February 1, 1986, the Company had short-term borrowings amounting to $55,000,000 which were classified as long-term debt under this arrangement. At year end, $75,000,000 was unused under the revolving credit facility. The Company believes that the working capital and lines of credit are adequate to meet the presently identifiable working capital requirements.

Average short-term borrowings (excluding acquisition borrowings) amounted to $21,109,000 in 1985, $4,176,000 in 1984 and none in 1983. The maximum short-term borrowings outstanding were $70,000,000 in 1985 and $65,000,000 in 1984. Short-term borrowings are used to finance seasonal inventory increases and to finance new construction prior to placement of long-term debt. Average interest rates charged to the Company on short-term borrowings were 8.20% in 1985 and 9.97% in 1984.

Debt-to-Equity

During 1985, the Company financed its real estate program and continued to retire debt associated with the acquisition of Jewel Companies, Inc. as well as other long-term debt. In addition to scheduled debt payments, the Company retired $150,000,000 of acquisition debt through internally generated funds and refinanced an additional $75,000,000 of the acquisition debt. The Company also retired $63,833,000 of debt assumed in the acquisition of Jewel Companies, Inc. Debt incurred in conjunction with financing new stores and related facilites amounted to $57,463,000 in 1985. Other long term borrowings including obligations under capitalized leases amounted to $16,344,000 in 1985.

During 1984, the Company borrowed $750,000,000 under a short-term agreement with a syndicate of commercial banks to acquire approximately 71% of the outstanding common stock of Jewel Companies, Inc. In January, 1985 $300,000,000 of the loan was repaid, $425,000,000 was refinanced under a long-term agreement and $25,000,000 continued to be borrowed under a short-term facility. In addition, $125,000,000 of debt was incurred to redeem the Company's $5.51 Cumulative Redeemable Preferred stock.

Debt-to-Equity *(cont.)*

In 1983, the Company incurred long-term debt and obligations under capitalized leases of $30,577,000, primarily incurred to finance real estate.

As a result of the items discussed above, the ratio of debt-to-common shareholders' equity decreased to 1.41 to 1 in 1985 from 1.77 to 1 in 1984. The ratio of debt-to-common shareholders' equity in 1983 was .81 to 1.

Capital Expenditures

Capital expenditures for 1985 amounted to $203,026,000 compared to $308,120,000 in 1984 and $140,392,000 in 1983.

The Company expects capital expenditures to be approximately $280,000,000 during 1986.

Inflation and Changing Prices

Inflation continues to impact the operations of the Company by increasing sales, expenses and the cost of acquiring property, plant and equipment. The impact of inflation on the Company is discussed in more detail under the caption "Supplementary Information on Inflation and Changing Prices (Unaudited)" in the Notes to Consolidated Financial Statements.

Consolidated Statements of Earnings

American Stores Company and Subsidiaries

Fiscal years, 52 weeks ended February 1, 1986, 53 weeks ended February 2, 1985 and 52 weeks ended January 28, 1984

(In thousands, except per share data)	**1985**	*1984*	*1983*
Sales	**$13,889,528**	$12,118,793	$7,983,677
Cost of merchandise sold, including warehousing and transportation expenses	**10,546,722**	9,234,204	6,051,677
Gross profit	**3,342,806**	2,884,589	1,932,000
Operating, general and administrative expenses	**2,920,268**	2,536,001	1,697,484
Operating profit	**422,538**	348,588	234,516
Other income (deductions):			
Gain on sale of subsidiary and divisions		79,962	
Interest income	**7,857**	16,954	10,199
Interest expense	**(128,770)**	(111,738)	(35,615)
Other income	**7,836**	12,847	7,029
Total other income (deductions)	**(113,077)**	(1,975)	(18,387)
Earnings before income taxes	**309,461**	346,613	216,129
Federal and state income taxes	**154,991**	154,521	98,227
Less minority shareholders' equity in earnings		6,567	
Net earnings	**$154,470**	$185,525	$117,902
Average common shares outstanding	**31,464**	30,076	29,556
Net earnings per common share	**$4.11**	$5.71	$3.61

See notes to consolidated financial statements

Consolidated Balance Sheets

American Stores Company and Subsidiaries

Assets

(In thousands of dollars)	**February 1, 1986**	*February 2, 1985*	*January 28, 1984*
Current Assets			
Cash and short-term cash investments	**$29,999**	$75,908	$134,697
Receivables	**125,722**	153,973	49,542
Inventories	**1,274,730**	1,196,136	683,566
Prepaid expenses	**51,672**	55,575	34,628
Total current assets	**1,482,123**	1,481,592	902,433
Property, Plant and Equi nent, at cost			
Land	**315,416**	344,438	61,558
Buildings	**595,864**	611,804	174,530
Machinery, equipment and fixtures	**996,347**	951,582	520,233
Leasehold costs and improvements	**244,661**	174,158	115,154
	2,152,288	2,081,982	871,475
Less accumulated depreciation and amortization	**533,295**	391,175	308,201
Net property, plant and equipment	**1,618,993**	1,690,807	563,274
Property Under Capital Leases, less accumulated amortization of $79,956 in 1985, $74,278 in 1984 and $67,676 in 1983.	**124,868**	137,160	128,269
Other Assets	**236,529**	226,178	32,719
	$3,462,513	$3,535,737	$1,626,695

American Stores Company and Subsidiaries

Liabilities and Shareholders' Equity

(In thousands of dollars)	**February 1, 1986**	*February 2, 1985*	*January 28, 1984*
Current Liabilities			
Short-term notes payable		$25,000	
Current maturities of long-term debt	**$17,835**	34,122	$1,535
Current obligations under capital leases	**10,498**	12,282	10,292
Trade accounts payable	**647,148**	662,144	341,344
Accrued wages payable	**152,598**	144,191	88,729
Other accrued liabilities	**377,614**	337,205	142,944
Federal and state income taxes	**35,939**	55,254	31,850
Total current liabilities	**1,241,682**	1,270,198	616,694
Long-Term Debt, less current maturities	**925,108**	1,033,286	210,436
Obligations Under Capital Leases, less current obligations	**157,032**	166,543	156,420
Other Liabilities	**78,782**	90,077	52,427
Deferred Income Taxes	**36,420**	44,837	20,914
$5.51 Cumulative Redeemable Preferred Stock of $1.00 par value, authorized 2,450,000 shares; 2,036,372 shares issued and outstanding in 1983, at redemption value			118,110
Series A $4.375 Preferred Stock of $1.00 par value, authorized 4,200,000 shares; issued 3,965,046 in 1985 and 3,939,700 in 1984	**198,252**	196,985	
Series B $6.80 Preferred Stock of $1.00 par value, authorized 1,215,000 shares; issued 1,148,507 in 1985 and 1,141,176 in 1984	**57,426**	57,059	
Common Shareholders' Equity Common stock of $1.00 par value, authorized 50,000,000 shares; issued 31,921,778 in 1985, 31,909,604 in 1984 and 30,013,494 in 1983	**31,922**	31,910	30,014
Additional paid-in capital	**149,982**	148,362	79,626
Retained earnings	**611,360**	503,742	351,260
Less cost of common treasury stock, 508,103 shares in 1985, 279,404 shares in 1984, and 408,879 shares in 1983.	**(25,453)**	(7,262)	(9,206)
Total common shareholders' equity	**767,811**	676,752	451,694
	$3,462,513	$3,535,737	$1,626,695

See notes to consolidated financial statements

Consolidated Statements of Common Shareholders' Equity

American Stores Company and Subsidiaries

Fiscal years, 52 weeks ended February 1, 1986, 53 weeks ended February 2, 1985 and 52 weeks ended January 28, 1984

	(In thousands of dollars)	*Common Stock*	*Additional Paid-In Capital*	*Retained Earnings*	*Treasury Stock*	*Total*
1983	Balances at January 30, 1983	$10,005	$100,454	$257,690	$(10,694)	$357,455
	Net earnings			117,902		117,902
	Issuance of 238,885 shares for stock options		(891)		3,886	2,995
	Effect of common stock split	20,009	(20,009)			
	Common dividends — $.44 per share			(13,112)		(13,112)
	Preferred dividends — $5.51 per share			(11,220)		(11,220)
	Purchase of 60,679 shares for treasury				(2,398)	(2,398)
	Other		72			72
1984	Balances at January 28, 1984	30,014	79,626	351,260	(9,206)	451,694
	Net earnings			185,525		185,525
	Issuance of 225,550 shares for stock options	66	(3,929)		2,881	(982)
	Issuance of 1,830,324 shares for acquisition	1,830	70,696			72,526
	Common dividends — $.64 per share			(19,291)		(19,291)
	Preferred dividends.					
	$5.51 cumulative redeemable — $4.13 per share			(7,504)		(7,504)
	Series A $4.375 — $1.093 per share			(4,306)		(4,306)
	Series B $6.80 — $1.70 per share			(1,942)		(1,942)
	Purchase of 30,290 shares for treasury				(937)	(937)
	Other		1,969			1,969
	Balances at February 2, 1985	$31,910	$148,362	$503,742	$(7,262)	$676,752

Consolidated Statements of Common Shareholders' Equity *(cont.)*

American Stores Company and Subsidiaries

Fiscal years, 52 weeks ended February 1, 1986, 53 weeks ended February 2, 1985 and 52 weeks ended January 28, 1984

	(In thousands of dollars)	*Common Stock*	*Additional Paid-In Capital*	*Retained Earnings*	*Treasury Stock*	*Total*
1985	Balances at February 2, 1985	$31,910	$148,362	$503,742	$(7,262)	$676,752
	Net earnings			154,470		154,470
	Issuance of 148,945 shares for stock options	12	(1,722)		2,856	1,146
	Common dividends—$.69 per share			(21,712)		(21,712)
	Preferred dividends:					
	Series A—$4.375 per share			(17,335)		(17,335)
	Series B—$6.80 per share			(7,805)		(7,805)
	Purchase of 365,470 shares for treasury				(21,047)	(21,047)
	Other		3,342			3,342
	Balances at February 1, 1986	$31,922	$149,982	$611,360	$(25,453)	$767,811

See notes to consolidated financial statements

Consolidated Statements of Changes in Financial Position

American Stores Company and Subsidiaries

Fiscal years, 52 weeks ended February 1, 1986, 53 weeks ended February 2, 1985 and 52 weeks ended January 28, 1984.

(In thousands of dollars)	1985	*1984*	*1983*
Cash Provided From Operations:			
Net earnings	**$154,470**	$185,525	$117,902
Charges (credits) to income not requiring cash:			
Depreciation and amortization	**183,509**	152,993	87,321
Deferred income taxes	**(8,417)**	23,923	(3,290)
(Increase) decrease in current assets:			
Receivables	**28,251**	(104,431)	(5,466)
Inventories	**(78,594)**	(512,570)	(71,038)
Prepaid expenses	**3,903**	(20,947)	(7,061)
Increase (decrease) in current liabilities:			
Trade accounts payable	**(14,996)**	320,800	35,473
Other accrued liabilities	**40,409**	194,261	27,358
Accrued wages payable	**8,407**	55,462	4,830
Federal and state income taxes	**(19,265)**	23,404	112
Total cash provided from operations	**297,677**	318,420	186,141
Investment and Other Activities:			
Non-current assets of business acquired		(1,265,517)	
Expended for property, plant and equipment	**(199,229)**	(308,120)	(135,242)
Disposal of owned properties	**101,531**	34,660	6,720
Additions to property under capital leases	**(3,797)**		(5,150)
Disposal of leased properties	**2,092**	13,973	2,430
Disposal of investment		52,900	
Other	**(21,646)**	(5,724)	3,953
Net investment and other activities	**$(121,049)**	$(1,477,828)	$(127,289)

Consolidated Statements of Changes In Financial Position *(cont.)*

American Stores Company and Subsidiaries

Fiscal years, 52 weeks ended February 1, 1986, 53 weeks ended February 2, 1985 and 52 weeks ended January 28, 1984

(In thousands of dollars)	**1985**	*1984*	*1983*
Financing Activities:			
Non-current debt and other liabilities of business acquired		$355,906	
Proceeds from long-term borrowing	**$198,959**	605,136	$25,427
Reduction of long-term debt	**(307,137)**	(65,609)	(3,316)
(Decrease) increase of short-term debt	**(25,000)**	25,000	
(Decrease) increase in current maturities of long-term debt	**(16,287)**	32,587	494
Additions to obligations under capital leases	**3,797**		5,150
Reduction of obligations under capital leases	**(13,308)**	(29,858)	(12,438)
(Decrease) increase in current obligations under capital leases	**(1,784)**	1,990	1,041
Issuance of preferred stock	**1,634**	254,044	
Redemption of preferred stock		(118,110)	
Issuance of common stock	**4,488**	73,513	2,995
Purchase of treasury stock	**(21,047)**	(937)	(2,398)
Cash dividends	**(46,852)**	(33,043)	(24,332)
Net financing activities	**(222,537)**	1,100,619	(7,377)
(Decrease) increase in cash and short-term cash investments	**(45,909)**	(58,789)	51,475
Cash and short-term investments:			
Beginning of year	**75,908**	134,697	83,222
End of year	**$29,999**	$75,908	$134,697

See notes to consolidated financial statements

American Stores Company and Subsidiaries

Significant Accounting Policies

Business and Properties

The Company, through its subsidiaries, is engaged primarily in the operation of retail stores, selling drug and food merchandise through 1,493 retail food, drug and combination drug/food stores in 40 states. The Company also owns or leases subsidiary office facilities located throughout the country, corporate offices in Salt Lake City, Utah, land leased or owned for future expansion and various manufacturing and food processing facilities.

Basis of Consolidation

The consolidated financial statements include the accounts of the company and all subsidiaries. All significant inter-company accounts and transactions have been eliminated in consolidation.

Inventories

Inventories are stated at the lower of cost or market. The last-in, first-out (LIFO) method is used to determine the cost of certain categories of drug, general merchandise and dry grocery inventories. Cost of the remaining inventories are computed by either the first-in, first-out (FIFO) or average cost methods.

Depreciation and Amortization

Depreciation and amortization charged to earnings for financial statement purposes, including amortization of property under capital leases, are generally computed using the straight-line method applied to individual property items. The depreciable lives for buildings are 22 to 40 years, 3 to 12 years for machinery and equipment and 10 to 20 years for leasehold improvements.

Costs of Opening and Closing Stores

The costs of opening new stores are charged against earnings as incurred. When operations are discontinued and a store is closed, the remaining investment, net of salvage value, is charged against earnings and, for leased stores, a provision is made for the remaining lease liability, net of expected sublease recovery.

Income Taxes

The Company provides for deferred income taxes or credits as timing differences arise in recording income and expenses between financial reporting and tax reporting. The Company accounts for investment tax credits under the flow-through method, reducing income tax expense in the year in which the asset that gives rise to the credit is placed in service. Purchase accounting adjustments that give rise to current expenses are not deductible for income tax purposes.

Net Earnings Per Common Share

Net earnings per common share are determined by dividing the weighted average number of common shares outstanding during the year into net earnings after deducting dividends attributable to preferred shares. Common share equivalents in the form of stock options are excluded from the calculation since they have no material dilutive effect on per share figures. The assumed conversion of all exchangeable securities into common stock equivalents results in dilution of less than 3% and is not included on the financial statements.

Reclassification

The 1984 and 1983 financial statements have been reclassified to conform to the current year presentation.

Cash and Short-Term Cash Investments

Short-term cash investments consist primarily of certificates of deposit, treasury bills and notes, bankers acceptances, repurchase agreements and commercial paper which are carried at cost, which approximates market value. At February 1, 1986, February 2, 1985 and January 28, 1984, short-term investments amounted to $16,679,000, $40,910,000 and $31,853,000, respectively, and certificates of deposits and other securities with a maturity over 90 days amounted to $50,641,000 on January 28, 1984.

Inventories

The dry grocery, general merchandise and drug inventories of certain of the Company's subsidiaries are valued by the last-in, first-out (LIFO) method.

If the first-in, first-out (FIFO) and average cost methods had been used, inventories would have been $88,711,000, $72,749,000 and $65,599,000 higher at February 1, 1986, February 2, 1985 and January 28, 1984, respectively. The LIFO charges to earnings, before income taxes, were $15,962,000 in 1985, $7,150,000 in 1984 and $2,081,000 in 1983. The Company expanded its inventories accounted for under the LIFO method during 1985 to include certain general merchandise categories. The effect on the current year is not significant. At February 1, 1986 approximately 80% of inventories were covered by the LIFO inventory valuation method compared to 61% at February 2, 1985 and 30% at January 28, 1984.

Debt

Lines of credit arrangements for short-term borrowings or in support of commercial paper borrowings with a group of banks allow the Company to borrow up to $110,000,000 on terms mutually agreed to by the Company and the banks. These arrangements are reviewed annually for renewal.

In connection with these lines of credit, the Company has agreed to maintain compensating balances which are not restricted as to withdrawal. In the event the lines are drawn upon, additional cash balances may be required by the banks.

Debt *(cont.)*

A summary of long-term debt is as follows:

(In thousands of dollars)	**February 1, 1986**	*February 2, 1985*	*January 28, 1984*
Notes payable:			
12% due 1990	**$75,000**	$75,000	$75,000
11.5% due 1992	**48,582**	48,446	
Short-term notes effectively due in 1989 at various interest rates	**55,000**		
Subordinated note payable:			
13.875% due in 1989 and 1991	**125,000**	125,000	
Commercial banks:			
8.7% due 1990	**25,000**		
Acquisition loan –variable interest rates due 1989	**225,000**	425,000	
10% due 1985 through 1987		30,343	
10.89% due in 1995	**50,000**		
Industrial revenue bonds:			
12.08% average rate due through 2002	**25,638**	31,478	
Insurance companies:			
6.875% due through 1993		11,886	
7.875% due through 1994		13,206	
8.25% due through 1997		38,741	
Loans secured by real estate. interest rates from 4¾% to 16% due through 2005	**313,723**	268,308	100,601
Sinking fund debentures:			
9.375% due through 2001			27,360
9.875% due through 1990			9,010
Total	**942,943**	1,067,408	211,971
Less current maturities	**17,835**	34,122	1,535
Long-term debt	**$925,108**	$1,033,286	$210,436

Debt *(cont.)*

The aggregate amounts of long-term debt maturing in each of the next five fiscal years are:

(In thousands of dollars)		
	1986	$ 17,835
	1987	27,482
	1988	14,744
	1989	396,423
	1990	93,222

The Company's $75,000,000 in notes due in 1990 may not be redeemed by the Company prior to June 1, 1987. Thereafter, the notes are redeemable at the option of the Company, in whole or in part, at any time prior to maturity at a price equal to 100% of principal amount plus accrued interest to the redemption date.

Subsequent to February 1, 1986, the Company entered into an agreement with a group of banks providing a $300,000,000 unsecured revolving credit facility which expires in 1989. This agreement can be extended by mutual consent. Interest rates are established at the time of borrowings through three different pricing options, one of which is the prime interest rate. Terms of the revolving credit facility provide for borrowings from the participating banks or borrowing through issuance of commercial paper supported by the facility. At February 1, 1986, there were $55,000,000 in short-term notes which the Company classified as long-term under this agreement.

The Company's most restrictive loan convenants apply to, among other things, the allowable amount of senior funded debt, encumbrances of fixed assets and minimum levels of consolidated net worth. Retained earnings of $64,961,000 at February 1, 1986 are available for payment of dividends and redemption of capital stock.

The various loans secured by real estate are collateralized by properties with a net book value of $497,045,000.

Certain debt assumed in the acquisition of Jewel Companies, Inc. has been restated to reflect market interest rates at date of acquisition and will gradually increase to face value at date of maturity.

Capitalized Interests Costs

The Company capitalizes interest costs associated with long-term construction projects. Interest costs incurred by the Company amounted to $132,443,000, $119,535,000 and $38,759,000 in 1985, 1984 and 1983, respectively, of which $3,673,000, $7,797,000 and $3,144,000 were capitalized.

Leases

The Company leases retail stores and distribution facilities. Initial lease terms range from 15 to 25 years, plus renewal options, and can provide for additional rentals based on sales volume in excess of specified levels.

The summary below shows the aggregate future minimum rental commitments as of February 1, 1986 for both capital and operating leases:

(In thousands of dollars) FISCAL YEAR	*Operating Leases*	*Capital Leases*
1986	$ 82,517	$ 26,904
1987	77,046	27,334
1988	70,668	26,900
1989	66,707	27,362
1990	62,104	25,411
Thereafter	533,108	181,823
Total minimum rental commitments	$892,150	315,734
Less executory costs (such as taxes, insurance, and maintenance) included in capital leases		4,586
Net minimum lease payments		311,148
Less amount representing interest		143,618
Obligations under capital leases, including $10,498 due within one year		$167,530

Rental expense was as follows:

(In thousands of dollars)	*Minimum Rentals*	*Rentals Based On Sales*	*Total Rentals*
1985	**$88,269**	**$26,139**	**$114,408**
1984	76,174	23,895	100,069
1983	59,934	15,978	75,912

Income Taxes

Federal and state income taxes charged to earnings are summarized below:

(In thousands of dollars)	1985	*1984*	*1983*
Current:			
Federal	**$118,697**	$112,927	$83,221
State	**23,816**	25,296	11,615
Deferred:			
Federal	**11,480**	14,994	3,119
State	**998**	1,304	272
	$154,991	$154,521	$98,227

The provision for income taxes differs from the amount which would be provided by applying the federal statutory rate to earnings before income taxes as follows:

	1985	*1984*	*1983*
Tax rates computed at the statutory federal income tax rate	**46.0%**	46.0%	46.0%
State income taxes, net of federal income tax rate	**4.3**	4.1	3.0
Purchase accounting adjustments	**2.1**	.9	
Investment tax credits	**(3.8)**	(3.4)	(2.0)
Other	**1.5**	(3.0)	(1.5)
Effective income tax rate	**50.1%**	44.6%	45.5%

Deferred income tax expense resulted from the following:

(In thousands of dollars)	1985	*1984*	*1983*
Accelerated depreciation for tax purposes	**$17,630**	$18,812	$6,130
Reserves for self-insurance	**(9,014)**	(18,726)	(8,577)
Other	**3,862**	16,212	5,838
	$12,478	$16,298	$3,391

Litigation

Jewel Companies, Inc. (and in most cases the Company itself) has been named as a defendant in approximately 1,100 lawsuits (many of which involve more than one plaintiff) brought against it in federal and state courts in which plaintiffs allege personal injury resulting from ingestion of milk which contained Salmonella typhimurium, and which milk allegedly was produced in Jewel's Hillfarm Dairy located in Melrose Park, Illinois and sold by Jewel supermarkets on certain dates in March and April 1985. On April 9, 1985 Jewel voluntarily ceased production at the Hillfarm Dairy and began the immediate withdrawal from sale at its stores of all products which passed through the dairy. Following the discovery of the illnesses in March and April 1985, various state and federal health agencies and Jewel formed a Special Task Force to conduct a comprehensive investigation. The Final Report of the Task Force discussed a number of possible causes for the contamination but concluded that it was unable to reconstruct an unbroken chain of probable events that led to the intermittent contamination of milk.

Some of the complaints involve wrongful death allegations, and several assert class action allegations. Among the causes of action set forth in these cases for both actual and punitive damages are: negligence, strict liability, breach of warranties, common law fraud and violation of the Illinois Consumer Fraud and Deceptive Business Practices Act. On July 25, 1985, Judge Quinlan of the Cook County Circuit Court, Illinois, in In Re Salmonella Litigation, Master File 85 L 000000, certified three classes of claimants: (1) all persons who contracted salmonellosis, either directly or indirectly, and seek compensatory damages; (2) all parents and representatives of minors who incurred medical and other expenses on behalf of minors who were injured through the ingestion of contaminated milk and seek compensatory damages; and (3) all persons seeking punitive damages. Under terms of the class action certification, individual claimants were given a stated period, which period has elapsed, to "opt out" of the class actions and pursue individual claims through litigation or otherwise. More than 11,000 persons are estimated to have opted-out of one or more of the certified classes. Counsel for class members have estimated in court filings that approximately 20,000 persons remain in the class. An appeal of the Order certifying the class is pending before the Illinois Appellate Court, First Judicial District. Settlements have been reached with many plaintiffs and claimants, and Jewel is continuing to both receive and settle claims and lawsuits.

An intervening petition has been filed in the previously-certified class action seeking the certification of a sub-class comprised of claimants who have executed certain releases settling their claims with Jewel and now seek to set aside such settlement agreements. Another suit seeks certification of a class of persons who did not contract salmonellosis but who allege emotional distress and physical injury resulting from the strain of caring for sick family members. The Company believes these suits to be without merit and continues to vigorously defend them.

Litigation *(cont.)*

The Company has taken an after tax write-off of $3,500,000, representing approximately $.11 per share, in the first fiscal quarter ended May 4, 1985 to cover the identifiable direct costs connected with the Salmonella outbreak as well as the estimated costs associated with the closing of the Hillfarm Dairy. In addition, retail sales at Jewel stores were affected for a time but have essentially returned to normal— assisted by the resupply of dairy products from an unrelated, independent company.

The Company maintains products liability insurance subject to applicable retention and deductible limitations which is applicable to the compensatory damages and direct costs involved in litigation relating to this matter. However, Jewel's insurers contend that existing state law precludes insurance coverage for punitive damages, if any, which may be awarded. Two excess insurance carriers contend they are not responsible for the payment of defense costs in their insurance layers. One excess insurer contends that insurers of lower layers of coverage continue their duty to indemnify the Company for its defense costs, even though the insurers have exhausted their policy limits. Accordingly, that excess insurer has commenced a declaratory judgment action to determine its liability for indemnification of the Company's defense costs incurred in connection with its defense of the salmonella-related claims and litigations, and punitive damage awards, if any. Because this action has only recently been filed, the Company has not yet responded to the allegations in the complaint.

The salmonella-related litigation remains in the midst of complex and extensive discovery. The source of the contamination of this affected product still has not been definitely identified and the investigation into the number of claimants and the cause, nature and severity of their injuries continues. Due to these continuing uncertainties, the Company is unable to express an opinion regarding the outcome of these cases at this time. However, management continues to believe that it has good and adequate defenses available to it relating to the punitive damage claims previously described and that, based upon the continuing evaluation of the matters described above, it is probable that compensatory settlements and judgments will be adequately covered by insurance.

In any event, management believes that the maximum extent of liability which might be assessed against the Company in connection with the salmonella-related litigations and claims will not have a material adverse impact upon the consolidated financial statements of the Company.

Retirement Plans

The Board of Directors of the Company authorized the creation of American Stores Retirement Estates, a defined contribution retirement plan, effective January 1, 1985 for eligible employees. In a related action the Board of Directors of the Company authorized full vesting to participants of the Company's defined benefit Retirement Plan and its subsequent termination effective as of December 31, 1984.

As of February 1, 1986, calculations had not been completed for the ultimate distribution from the defined benefit Retirement Plan. However, preliminary calculations indicate that assets held by the Retirement Plan will be sufficient to provide for the vested benefits of the participants. Upon completion of final calculations, vested benefits will be converted, at the option of the participant, into an annuity or will be transferred into the American Stores Retirement Estates to the benefit of each participant's individual account.

The Company's policy is to fund retirement plan costs accrued to the extent they are currently deductible for income tax purposes.

Retirement plan expense was as follows:

(In thousands of dollars)	**1985**	*1984*	*1983*
Company-sponsored plans	**$65,172**	$46,986	$22,356
Multi-employer plans	**52,975**	52,996	45,934
TOTAL	**$118,147**	$99,982	$68,290

Information for vested and nonvested accumulated benefits in multi-employer plans as well as net assets available for benefits is not available.

Stock Option Plan

During 1984 and 1985, the Company's existing stock option plans, as approved by the Board of Directors and shareholders of the Company, expired as well as all common shares reserved for future grant thereunder. Subsequently, the Board of Directors authorized, pending shareholder approval, a new Stock Option and Award Plan which provides for the issuance of up to 1,000,000 shares of common stock to employees at prices determined on the date of grant. Options for 100,000 common shares were granted under this plan subject to the above approval.

During the year ended February 1, 1986, the Company granted 628,250 stock options to employees at an average price of $55.06 per common share. The average price of common stock options exercised during 1985 was $12.54 per share.

Pursuant to the acquisition of Jewel Companies, Inc., the Company assumed the Jewel outstanding stock options with appropriate adjustments to the number of shares and exercise prices to give effect to the acquisition and to reflect issuance of acquisition consideration. At year-end 17,105 shares of Series A Preferred stock, 4,955 shares of Series B Preferred stock and 8,232 shares of common stock were reserved for issuance of unexercised Jewel stock options.

Stock Option Plan *(cont.)*

Common stock options are exercisable on a cumulative basis of ten years or less, at prices ranging from $4.65 to $62.22 per share.

A summary of changes in common shares under option follows:

	1985	*1984*	*1983*
Outstanding at beginning of year	**1,175,004**	1,372,664	815,319
Assumed with acquisition		80,985	
Granted	**628,250**	70,500	841,806
Exercised	**(174,925)**	(252,743)	(262,387)
Forfeited	**(125,706)**	(96,402)	(22,074)
Outstanding at end of year	**1,502,623**	1,175,004	1,372,664
Exercisable at end of year	**102,811**	51,792	35,732
Average option price per share	**$38.20**	$25.78	$22.19
Reserved for future grant	**900,000**	1,165,506	1,139,604

During 1985, the Board of Directors of the Company authorized the addition, subject to the terms of the plans, of Stock Appreciation Rights relating to common stock options granted during 1983 and 1985. As a result, compensation expense relating to common stock options increased to $2,560,000 in 1985, compared to $1,305,000 in 1984 and $1,853,000 in 1983.

Preferred Stock

$5.51 Cumulative Redeemable Preferred Stock

The Company redeemed all of its $5.51 Cumulative Redeemable Preferred Stock in November 1984.

Series A $4.375 Cumulative Convertible Exchangeable Preferred Stock

Series A Preferred Shares are entitled to receive preferential and cumulative quarterly dividends at an annual rate of $4.375 per share, are entitled to a preference, in liquidation, in the amount of $50 per share plus accrued and unpaid dividends, but are not entitled to vote except in the occurence of certain specified events.

Each Series A Preferred Share will be initially convertible at the holder's option into 1.0782 American Common Shares commencing after November 15, 1986.

The Company is required to retire annually 5% of the number of Series A Preferred Shares outstanding, by means of a sinking fund, commencing November 15, 1995, at a price of $50 plus any accrued and unpaid

Preferred Stock *(cont.)*

dividends. In addition, Series A Preferred Shares will be redeemable, in whole or in part, at the Company's option, at any time or from time to time after November 15, 1987, at $53.063 per share and at prices which decline annually thereafter to $50 per Series A Preferred Share after November 15, 1994, plus accrued but unpaid dividends to the redemption date.

Series A Preferred Shares will be exchangeable, in whole but not in part, at the Company's option at any time after November 15, 1987 for American 8.75% Convertible Subordinated Debentures due 2009 at a rate of $50 principal amount of 8.75% Debentures for each Series A Preferred share. The terms of the 8.75% Debentures with respect to interest payments, conversion rights, redemption and sinking fund requirements will be the same as such terms as set forth in the Series A Preferred Shares. There are no dividends in arrears.

Series B $6.80 Cumulative Exchangeable Preferred Stock

Series B Preferred Shares are entitled to receive preferential and cumulative quarterly dividends at an annual rate of $6.80 per share, are entitled to a preference, after payment has been made on all stock which ranks senior to Series B Preferred Shares, in involuntary or voluntary liquidation, in the amount of $50 per share plus accrued dividends but are not entitled to vote except in the occurrence of certain specified events.

The Company is required to retire annually, beginning November 16, 1994, by means of a sinking fund, at a price of $50 plus any accrued and unpaid dividends, an amount equal to 9.09% of the aggregate number of Series B Preferred Shares issued. The Company is required to redeem all remaining outstanding Series B Preferred Shares on November 15, 2004.

Series B Preferred Shares are redeemable, at the Company's option, beginning after November 15, 1987 at $55.60 per Series B Preferred Share, and at prices which decline annually to $50 per Series B Preferred Share after November 15, 2001.

Series B Preferred Shares are exchangeable, in whole but not in part, at American's option after November 15, 1987 for American 13.60% Subordinated Debentures due 2004 at a rate of $50 principal amount of 13.60% Debentures plus accrued dividends for each Series B Preferred Share. The terms of the 13.60% Debentures with respect to interest payment dates, redemption and sinking fund requirements will be the same as such terms as set forth in the Series B Preferred Shares. There are no dividends in arrears.

Acquisition

Pursuant to a cash tender offer, on June 29, 1984, a wholly owned subsidiary of the Company purchased approximately 71% of the common stock and approximately 73% of the Series A preferred shares of Jewel Companies, Inc. for $772,000,000. Subsequently, on November 16, 1984, the Company acquired the remaining outstanding common shares and Series A preferred shares of Jewel Companies, Inc. for approximately $318,000,000 in the form of 1,830,324 shares of American common stock, 3,803,008 shares of a newly created Series A Preferred stock and 1,101,585 shares of a newly created Series B Preferred stock. The estimated fair value of the American securities exchanged was determined on October 24, 1984. Additional capitalized costs associated with the acquisition amounted to $15,000,000.

The acquisition has been accounted for using the purchase method of accounting. Jewel Companies, Inc.'s assets and liabilities have been recorded in the Company's financial statements at their estimated fair values at the acquisition date. The Consolidated Statements of Earnings include the operations of Jewel Companies, Inc. from June 29, 1984, with appropriate recognition of minority shareholders' interest in the earnings of Jewel Companies, Inc. from June 29, 1984 to November 15, 1984.

The following pro forma combined results of operations for the fiscal years ended February 2, 1985 and January 28, 1984, assume the acquisition had occurred on January 30, 1983.

The results are not necessarily indicative of what would have occurred had the acquisition been consummated as of January 30, 1983, or of future operations of the combined companies. The results are based on purchase accounting adjustments recognized in consolidating Jewel Companies, Inc. and include additional interest expense as if the funds borrowed in connection with the acquisition had been outstanding from the beginning of each year.

	Pro Forma (unaudited)	
(In thousands of dollars, except per share data)	*53 Weeks Ended February 2, 1985*	*52 Weeks Ended January 28, 1984*
Net sales	$14,599,658	$13,707,198
Net earnings:		
Comparable	$156,927	$145,890
Gain from sale of subsidiary and divisions-net of tax	50,996	
Net earnings	$207,923	$145,890
Net earnings per common share:		
Comparable	$3.94	$3.49
Gain from sale of subsidiary and divisions	1.62	
Net earnings per common share	$5.56	$3.49

Supplementary Income Statement Information

Advertising expense amounted to $148,521,000, $132,976,000 and $110,231,000 for 1985, 1984 and 1983, respectively.

Supplementary Information on Inflation and Changing Prices (Unaudited)

The following information presents the impact of inflation on the Company as required by the Financial Accounting Standards Board. The principal requirements are the supplementary presentation of net earnings determined under the current cost method which measures inflation relative to specific assets purchased by the Company.

The supplementary statement of consolidated earnings, adjusted for changes in specific prices (current cost), restates depreciation, amortization, inventories and purchases to reflect the current costs of inventory, land, buildings and equipment. These adjustments are based on both internal and external price indices specifically or closely related to the asset being measured. Sales, other income and operating and administrative expenses (except for any depreciation or amortization included therein) are deemed to be stated in current cost dollars in the primary financial statements and, therefore, do not require adjustment.

Depreciation and amortization is restated to current cost using the same estimated useful lives, salvage values and depreciation methods used in the primary statements.

Income taxes are not adjusted because companies are not permitted to recognize the effects of inflation for income tax purposes. Consequently, the effective tax rates for the current cost restatements are significantly higher than statutory rates.

American Stores Company and Subsidiaries

Results of Operations

Consolidated Statement of Earnings Adjusted for Changing Prices for the Fiscal Year Ended February 1, 1986

(In thousands of dollars)	*As Reported*	*Adjusted For Specific Prices*
Sales	$13,889,528	$13,889,528
Costs and expenses:		
Cost of merchandise sold	10,546,772	10,550,092
Depreciation and amortization	183,509	221,671
Other costs	2,849,786	2,849,786
Total costs	13,580,067	13,621,549
Earnings before income taxes	309,461	267,979
Income taxes	154,991	154,991
Net earnings	$154,470	$112,988
Effective income tax rate	50.1%	57.8%

Changes in Carrying Value

(In thousands of dollars)	
Increase in current cost of inventories and property, plant and equipment	$187,025
Less effect of increase in the general price level	120,687
Excess of increases in specific prices over increases in the general price level	$66,338

Inventory and Property, Plant and Equipment

(adjusted for changes in specific prices at February 1, 1986)

(In thousands of dollars)	*As Reported*	*As Adjusted*
Inventories	$1,274,730	$1,366,811
Property, plant and equipment and property under capital leases, net	$1,743,861	$2,087,183

American Stores Company and Subsidiaries

Supplementary Information on Inflation and Changing Prices *(cont.)*

Five-year comparison of Selected Supplementary Financial Data Adjusted for Effects of Changing Prices

	(In thousands, except per share data)	1985	1984	1983	1982	1981
Sales	As reported	**$13,889,528**	$12,118,793	$7,983,677	$7,507,772	$7,096,590
	Adjusted for general inflation	**13,889,528**	12,553,858	8,618,339	8,367,303	8,364,609
Net earnings	As reported	**154,470**	185,525	117,902	90,371	64,552
	Adjusted for specific price changes	**112,988**	156,820	89,042	53,416	43,426
Earnings per common share	As reported	**4.11**	5.71	3.61	2.69	1.81
	Adjusted for specific price changes	**2.79**	4.74	2.61	1.39	1.02
Excess (deficiency) of increase in specific prices over increase in general price level		**66,338**	10,348	(19,079)	29,609	(25,891)
Purchasing power gain from holding net monetary liabilities		**92,058**	56,401	41,428	38,737	79,525
Net assets at year-end	As reported	**1,023,489**	930,796	569,804	475,565	407,703
	Adjusted for specific price changes	**1,444,003**	1,290,367	917,086	839,000	751,026
Cash dividends declared per common share	As reported	**.69**	.64	.44	.33	.27
	Adjusted for general inflation	**.69**	.66	.48	.36	.31
Market price per common share at year-end	Historical amount	**64.50**	49.50	33.38	20.75	8.92
	Adjusted for general inflation	**64.50**	51.28	36.03	23.12	10.50
Average consumer price index		**323.2**	312.0	299.4	290.0	274.2

American Stores Company and Subsidiaries

Quarterly Results (unaudited)

In the opinion of management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation have been included:

(In thousands, except per share data)	*First Quarter*	*Second Quarter*	*Third Quarter*	*Fourth Quarter*	*Full Year*
1985					
Sales	**$3,403,246**	**$3,458,239**	**$3,388,398**	**$3,639,645**	**$13,889,528**
Gross profit	**795,361**	**837,886**	**808,114**	**901,445**	**3,342,806**
Operating profit	**82,433**	**112,489**	**87,336**	**140,280**	**422,538**
Net earnings	**27,383**	**41,531**	**29,091**	**56,465**	**154,470**
Net earnings per common share[1]	**$.67**	**$1.12**	**$.72**	**$1.60**	**$4.11**
1984[2]					
Sales	$2,083,202	$2,605,957	$3,447,879	$3,981,755	$12,118,793
Gross profit	490,635	614,470	820,048	959,436	2,884,589
Operating profit	50,689	77,447	74,012	146,440	348,588
Net earnings	25,957	34,446	35,519	89,603	185,525
Net earnings per common share: Comparable[1]	$.78	$1.07	$.63	$1.53	$4.01
Gain from sale of subsidiary and divisions			.47	1.23	1.70
Net earnings per common share[1]	$.78	$1.07	$1.10	$2.76	$5.71
1983					
Sales	$1,882,059	$1,966,639	$1,973,295	$2,161,684	$7,983,677
Gross profit	459,784	476,167	481,208	514,841	1,932,000
Operating profit	50,004	57,242	46,915	80,355	234,516
Net earnings	21,867	27,369	22,826	45,840	117,902
Net earnings per common share	$.65	$.83	$.67	$1.46	$3.61

[1] The effect of the assumed conversion of all convertible securities into common stock equivalents would result in dilution of less than 3%.

[2] 53 week fiscal year

Securities and Exchange Commission
Washington D.C 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended February 1, 1986	Commission File Number 1-5392

American Stores Company
(Exact Name of Registrant)

Delaware (State or other jurisdiction of incorporation or organization)	87-0207226 (IRS Employer Identification No.)
Post Office Box 27447 709 East South Temple Salt Lake City, Utah (Address of principal executive offices)	84127-0447 (Zip Code)
Registrant's telephone number, including area code	(801) 539-0112

Securities registered pursuant to Section 12(b) of the Act.

Title of each class	*Name of each exchange on which registered*
Common Stock ($1 par value) Series A Preferred Stock Series B Preferred Stock	Midwest Stock Exchange, Inc New York Stock Exchange, Inc. Philadelphia Stock Exchange, Inc. Pacific Stock Exchange, Inc.
12% Notes Due 1990	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements of the past 90 days.

Yes X No ____

State the aggregate market value of the voting stock held by non-affiliates of the registrant as of March 31, 1986.

Common Stock, $1 Par Value — $1,407,100,000

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of April 4, 1986.

Common Stock, $1 Par Value — 31,435,557.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Proxy Statement for the year ended February 1, 1986 are incorporated by reference into Part I and III.

Portions of the Annual Report for the year ended February 1, 1986 are incorporated by reference into Parts I, II and IV.

10-K Cross Reference Index

American Stores Company and Subsidiaries

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* Not applicable

** Incorporated by reference to American's Annual Proxy Statement for the year ended February 1, 1986.

*** The following exhibits are provided upon request:

II- Amounts Receivable From Related Parties and Underwriters, Promoters and Employees Other Than Related Parties

V- Property, Plant and Equipment.

VI- Accumulated Depreciation, Depletion and Amortization of Property, Plant and Equipment

Signatures

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Registrant American Stores Company April 18, 1986

By (Signature and Title) /s/ Thomas H. Sunday April 18, 1986
Executive Vice President, General Counsel and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ L.S. Skaggs L.S. SKAGGS	*Chairman of the Board*	April 18, 1986
/s/ Richard G. Dunlop RICHARD G. DUNLOP	*Vice Chairman of the Board and Treasurer*	April 18, 1986
/s/ Victor L. Lund VICTOR L. LUND	*Senior Vice President Financial Accounting*	April 18, 1986

American Stores Company and Subsidiaries

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ L.S. Skaggs L S SKAGGS	*Chairman of the Board and Director*	April 18, 1986
/s/ Louis H. Callister LOUIS H. CALLISTER	*Director*	April 18, 1986
/s/ Silas S. Cathcart SILAS S. CATHCART	*Director*	April 18, 1986
/s/ Richard G. Dunlop RICHARD G. DUNLOP	*Vice Chairman of the Board and Treasurer and Director*	April 18, 1986
/s/ James B. Fisher JAMES B. FISHER	*Director*	April 18, 1986
/s/ Richard E. George RICHARD E. GEORGE	*Director*	April 18, 1986
/s/ Williford Gragg WILLIFORD GRAGG	*Director*	April 18, 1986
/s/ Leon G. Harmon LEON G. HARMON	*Director*	April 18, 1986
/s/ James H. Henson JAMES H. HENSON	*Director*	April 18, 1986
/s/ Thomas W. King THOMAS W. KING	*President, Chief Operating Officer and Director*	April 18, 1986
/s/ L. Tom Perry L. TOM PERRY	*Director*	April 18, 1986
/s/ Barbara S. Preiskel BARBARA S. PREISKEL	*Director*	April 18, 1986
/s/ Aline W. Skaggs ALINE W. SKAGGS	*Director*	April 18, 1986
/s/ Earl P. Staten EARL P. STATEN	*Director*	April 18, 1986
/s/ Thomas H. Sunday THOMAS H. SUNDAY	*Executive Vice President, General Counsel and Secretary and Director*	April 18, 1986
/s/ I.J. Wagner I.J. WAGNER	*Director*	April 18, 1986